

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name SAGINAW COUNTY ROAD COMMISSION	County SAGINAW
Audit Date 9/30/05	Opinion Date 1/27/06	Date Accountant Report Submitted to State: 2/21/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

GARDNER, PROVENZANO, SCHAUMAN & THOMAS, P.C.

Street Address

4855 STATE STREET

City

SAGINAW

State

MI

ZIP

48603

Accountant Signature

Shepherd A. Thomas

Date

2/21/06

SAGINAW COUNTY ROAD COMMISSION
FINANCIAL STATEMENTS
September 30, 2005

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Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

January 27, 2006

Members of the Board
of County Road Commissioners
of Saginaw County
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities of the Saginaw County Road Commission, a component unit of Saginaw County, as of and for the year ended September 30, 2005, which comprise the Road Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Saginaw County Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the government activities of the Saginaw County Road Commission as of September 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Board
of County Road Commissioners
of Saginaw County
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In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2006, on our consideration of the Saginaw County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The additional supplemental information is presented for purposes of additional analysis and is not a required part of basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of Saginaw County Road Commission and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Gardner, Provengono, Schumann & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

INTRODUCTION

The Saginaw County Road Commission (SCRC) is a special purpose government engaged in a single government program of road maintenance and construction in the County of Saginaw, Michigan. The adoption of GASB-34 in FY03 changed the SCRC financial statement presentation. In the past, governmental entities were required to report financial information only on the modified accrual accounting method. The modified accrual method of accounting focuses on current available resources and is referred to as governmental fund level accounting. Now, in addition to the governmental fund level information, governmental entities are also required to report financial information on the full accrual method of accounting. The full accrual method of accounting focuses on the entity as a whole and is referred to as government-wide level accounting. For SCRC, the most significant differences between the governmental fund statements and the government-wide statements relate to capital assets (buildings and equipment) and infrastructure (roads, bridges, and signals). Capital assets and infrastructure are not recognized as assets and are not capitalized at the governmental fund level.

As allowed for single purpose governments, the Statements of Net Assets and the Statement of Activities, the fund level financial statements and the government-wide financial statements have been combined and are presented on the same page.

The audited financial activities of SCRC are presented herein. These statements include the following:

- Statement of Net Assets and Governmental Fund Balance Sheet,
- Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets,
- Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance, and
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

CONDENSED FINANCIAL STATEMENTS

The following are condensed government-wide financial statements for SCRC.

Condensed Statement of Net Assets

	Assets	2005	2004
Current		\$ 10,077,904	\$ 8,772,227
Capital assets		137,655,976	133,753,803
Total Assets		<u>\$ 147,733,880</u>	<u>\$ 142,526,030</u>
	Liabilities		
Current		\$ 1,252,945	\$ 909,695
Long-term liabilities		680,750	666,231
Total Liabilities		<u>1,933,695</u>	<u>1,575,926</u>
	Net Assets		
Restricted		\$ 8,144,209	\$ 7,196,301
Invested in capital assets - net of related debt		137,655,976	133,753,803
Total Net Assets		<u>\$ 145,800,185</u>	<u>\$ 140,950,104</u>

Condensed Statement of Activities

	Revenue	2005	2004
Federal and State Revenue		\$ 17,054,908	17,723,902
Contributions from Local units		2,919,393	2,059,732
Other, including charges for services		1,716,855	1,832,424
Total Revenue		<u>21,691,156</u>	<u>21,616,058</u>
	Expenses		
Primary preventive/routine maintenance		3,257,504	3,384,911
Local preventive/routine maintenance		4,826,606	4,594,644
Depreciation		7,076,418	6,658,779
Administrative		979,706	922,891
Other		700,841	615,744
Total Expenses		<u>16,841,075</u>	<u>16,176,969</u>
Change In Net Assets		<u>\$ 4,850,081</u>	<u>\$ 5,439,089</u>

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE

The total net assets increased by \$4,850,081 during FY2005. The net assets and changes in net assets are summarized below.

Net Assets

Restricted net assets are those net assets that have constraints placed on them by either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE (cont.)

Net Assets (continued)

and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

The restricted net assets increased by \$947,908 during 2005. The primary reason for the increase was many local projects planned for completion in the year ended September 30, 2005, were not completed until the first quarter of the next year.

The investment in capital assets, net of related debt increased by \$3,902,173. The increase in net assets is primarily the result of the reporting additional investment in infrastructure \$10,995,213 for the year 2005. The depreciation for the current year's infrastructure will be depreciated in the subsequent year.

THE ROAD COMMISSION'S FUND

The Road Commission's general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County which are earmarked by law for road and highway purposes.

During FY2005, the General Fund balance increased by \$962,427 or 12% of the beginning General Fund balance. A major component of the increase is the postponement of many local projects from this fiscal year to next. These projects were scheduled to be completed during FY2005, but were delayed due to weather, changes in the scope of the project, and scheduling changes due to postponement of Federal/State projects.

Management believes that the General Fund balance provides sufficient working capital to support future operations of SCRC.

BUDGET

The SCRC budget is prepared in accordance with state law using the modified accrual accounting basis. This is the same accounting basis used for the General Fund.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

ORIGINAL BUDGET VERSUS AMENDED BUDGET

The 2005 budget was adopted in September 2004. The budget is reviewed periodically and amended as information becomes available or management's plans change. The amended budget revenue was increased by approximately \$17,000. This increase is due to a combination of both increases and decreases in revenue as follows:

Federal Revenue: The budget for federal revenue was amended down by \$861,214. This variance was due to several projects not anticipated to be completed in FY2005 and in some cases, funding not available until FY2006.

Private Source Contributions: With the new GASB-34 rules, we are required to report the roads in subdivisions that are built by developers and then accepted by us for maintenance purposes as private contributions. At the beginning of the year, no data is available to inform us of the value of subdivisions to be built over the course of the fiscal year; therefore no revenue of private contributions is budgeted. We amended the budget to reflect estimated contributions of \$846,000.

Township Revenue: Since the budget for the new fiscal year is presented long before Townships actually present their requests for projects, the amount of township revenue is simply an educated guess according to past history. The amended figure is decreased by approximately \$200,000 most of which is attributed to the Township's share of the Burt Road Bridge project that is postponed until FY06.

Miscellaneous Revenue: The variance of \$197,898 in miscellaneous revenue was mostly due to an insurance recovery not anticipated when the first budget was adopted.

Total budgeted expenditures decreased from the original budget to the amended budget by approximately \$171,000. This decrease is due to a combination of both increases and decreases as follows:

Preservation/Structural Improvements: The decrease of \$1,402,509 is due to the delay of several Federal projects along with the delay of several of the Manager's primary projects, expenditures were moved from Construction/Capacity Improvements and Preservation/Structural Improvements to Preventive/Routine Maintenance.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

ORIGINAL BUDGET VERSUS AMENDED BUDGET (cont.)

Preventive/Routine: The increase of \$1,194,097 is due to the delay of several Federal projects along with the delay of several of the Manager's primary projects, making available expenditures that were moved from Construction/Capacity Improvements and Preservation/Structural Improvements to Preventive/Routine Maintenance. There was also an increase in both primary and local maintenance, some of which was attributed to an increase in primary winter maintenance, surface maintenance – cold patch, surface maintenance – gravel, seal coat, and drainage & backslope.

Equipment-Net: Management does their best in estimating the revenue received from charges of equipment used during the year. Since the amount of revenue is unknown due to the high use of equipment during the last few months of the fiscal year (construction season), the amount of net equipment expense is simply an educated guess. As the year progressed, we decreased the budget by \$420,000.

Other: When the original budget was completed, financial information for the non-road related pass-through Kochville Township Bike path project was not available. When information became available we increased the budget by \$496,990 to the project in the budget.

AMENDED BUDGET VERSUS ACTUAL

The actual revenue exceeded the final budget by approximately \$1,054,465. Significant variances are as follows:

Township Revenue:

Actual revenue exceeded the final budget by \$673,798, due to information about the actual revenue not being available until after the final budget was adopted. Also, there are a significant amount of projects that were outstanding at September 30, 2005.

Miscellaneous Revenue:

The variance of \$199,426 in miscellaneous revenue was due to a change in the accounting manual. At the time the budget was amended, insurance recoveries were to be budgeted as miscellaneous revenue. After the budget was amended, we found the accounting manual directed us to net the insurance recovery against the appropriate expense.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

AMENDED BUDGET VERSUS ACTUAL (cont.)

Private Source Contributions:

The actual value of subdivisions accepted by the SCRC was greater than anticipated, thus a variance of \$578,978.

The actual expenditures were less than the final amended budget by \$711,355. Significant variances are as follows:

Preservation/Structural Improvements: The large component in the variance of \$1,423,445 in this category can be attributed to the postponement of the Manager's Primary projects, the postponement of traffic signal installations, and the postponement of the Moorish Road project to the first quarter of FY2006, along with the associated distributive costs.

Preventive/Routine Maintenance: The variance of \$406,224 is due to the decrease mentioned above in the preservation/structural improvements category, a portion of the expenditures were moved to this category, therefore increasing it. Also the increase can be associated with the material costs associated with the Townships requesting more brining, seal coating (and related sweeping operation) and gravel maintenance. This also resulted in an increase of distributive expenses being allocated to this category.

Equipment-Net: Management does their best in estimating the revenue received from charges of equipment used during the year. Since the amount of revenue is unknown due to the high use of equipment during the last few months of the fiscal year (construction season), the amount of net equipment expense is simply an educated guess. The variance of \$378,365 is due to the difference in the estimated and actual results.

CAPITAL ASSETS

SCRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, of \$137,655,976, which is an increase of \$3,902,173. This information, which includes infrastructure, is summarized below.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

CAPITAL ASSETS (cont.)

	2005	2004
Land and improvements	\$ 30,456,411	\$ 28,821,809
Buildings	2,538,656	2,538,656
Road equipment	11,202,684	10,403,899
Other equipment	885,352	799,408
Infrastructure assets	188,118,157	178,757,547
Total Capital Assets	233,201,260	221,321,319
Accumulated Depreciation	(95,545,284)	(87,567,516)
Net Capital Assets	\$ 137,655,976	\$ 133,753,803

Additional information regarding capital assets is located in the notes to the financial statements.

Long-Term Debt

At year-end, the SCRC's long-term debt consisted of compensated absences (accumulated sick and vacation pay) in the amount of \$680,750.

OTHER

Management is not aware of any currently known facts, decisions, or conditions expected to have a significant effect on next year and beyond on the SCRC financial condition. However, the SCRC is currently in negotiations to purchase a new administration building/maintenance garage.

**CONTACTING THE SAGINAW COUNTY ROAD COMMISSION'S
MANAGEMENT**

This financial report is intended to provide our citizens and customers with a general overview of the Saginaw County Road Commission's finances and to show the Saginaw County Road Commission's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Director of Finance and Benefits at 3020 Sheridan Avenue, Saginaw, Michigan 48601.

BASIC FINANCIAL STATEMENTS

SAGINAW COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash	\$ 25,735	\$ -	\$ 25,735
Investment	5,454,673	-	5,454,673
Accounts Receivable			
State Transportation Department	2,259,405	-	2,259,405
Sundry	103,550	-	103,550
Cities, Townships and Villages	1,409,104	-	1,409,104
Interest	21,137	-	21,137
Inventories			
Equipment materials and parts	135,349	-	135,349
Road materials	259,742	-	259,742
Prepaid expense	409,209	-	409,209
Capital assets, net of accumulated depreciation	-	137,655,976	137,655,976
Total Assets	<u>\$ 10,077,904</u>	<u>\$ 137,655,976</u>	<u>\$ 147,733,880</u>
LIABILITIES			
Accounts payable	\$ 729,212	\$ -	\$ 729,212
Accrued liabilities	80,770	-	80,770
Deposits	114,819	-	114,819
Due to former employees	8,019	-	8,019
Due to State of Michigan	314,876	-	314,876
Deferred revenues	5,249	-	5,249
Compensated absences-due in more than one year	-	680,750	680,750
Total Liabilities	<u>1,252,945</u>	<u>680,750</u>	<u>1,933,695</u>
FUND BALANCE/NET ASSETS			
Fund Balances:			
Restricted for County Roads	8,824,959	(8,824,959)	-
Total Fund Balance	8,824,959	(8,824,959)	-
Total Liabilities and Fund Balance	<u>\$ 10,077,904</u>		
Net Assets:			
Invested in capital assets, net of related debt		137,655,976	137,655,976
Restricted for County Roads		8,144,209	8,144,209
Total Net Assets		<u>\$ 145,800,185</u>	<u>\$ 145,800,185</u>

See accompanying notes to the basic financial statements.

SAGINAW COUNTY ROAD COMMISSION
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2005

Total governmental fund balance	\$ 8,824,959
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	137,655,976
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(680,750)
Net Assets of Governmental Activities	<u>\$ 145,800,185</u>

See accompanying notes to the basic financial statements.

SAGINAW COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	General Fund	Adjustments	Statement of Activities
Revenue			
Federal	\$ 2,587,919	\$ -	\$ 2,587,919
State	14,466,989	-	14,466,989
County			
City and Villages	39,270	-	39,270
Township	2,773,798	-	2,773,798
Other government	106,325	-	106,325
Interest	126,199	-	126,199
Charge for services	103,598	-	103,598
Miscellaneous	8,472	-	8,472
Gain on disposal	53,608	-	53,608
Private source contributions	1,424,978	-	1,424,978
Total Revenue	<u>21,691,156</u>	<u>-</u>	<u>21,691,156</u>
Expenditures/expense			
Primary construction/capacity improvements	2,046,964	(2,046,964)	-
Local construction/capacity improvements	1,784,048	(1,784,048)	-
Primary preservation/structural improvements	3,426,402	(3,426,402)	-
Primary preventive/routine maintenance	3,257,504	-	3,257,504
Local preservation/structural improvements	3,737,799	(3,737,799)	-
Local preventive/routine maintenance	4,826,606	-	4,826,606
Administrative	965,186	14,520	979,706
Net equipment expense	58,365	-	58,365
Net capital outlay			
Capital outlay	1,220,293	(1,220,293)	-
Depreciation	(1,236,914)	1,236,914	-
Depreciation	-	7,076,418	7,076,418
Drain assessment	232,828	-	232,828
Other Non-road	409,648	-	409,648
Total Expenditures/expense	<u>20,728,729</u>	<u>(3,887,654)</u>	<u>16,841,075</u>
Excess of Revenue Over (Under) Expenditures	962,427	(962,427)	-
Change in Net Assets	-	4,850,081	4,850,081
Fund Balance/Net Assets - Beginning of Year	7,862,532	133,087,572	140,950,104
Fund Balance/Net Assets - End of Year	<u>\$ 8,824,959</u>	<u>\$ 136,975,226</u>	<u>\$ 145,800,185</u>

See accompanying notes to the basic financial statements.

SAGINAW COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Net Change in fund balance—total governmental funds	\$ 962,427
Amounts reported for governmental activities in the statement are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the statement of activities.	3,902,174
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Increase in compensated absences)	<u>(14,520)</u>
Change in net assets of governmental activities	<u>\$ 4,850,081</u>

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Saginaw County Road Commission's financial statements are prepared in accordance with United States generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with GASB pronouncements. The more significant accounting policies established in GAAP and used by the Commission are discussed below.

A. Reporting Entity

The Commission, which is established pursuant to County Road Law (MCL 224.1), is governed by a three-member board of County Road Commissioners appointed by the Saginaw County Board of Commissioners. The Commission is a component unit of the Saginaw County and its financial statements are an integral part of the comprehensive annual financial report of the Saginaw County.

Based upon GASB Statement 14, which establishes criteria for determining the reporting entity, these financial statements present the Saginaw County Road Commission, a discretely presented component unit of Saginaw County, and include the Commission's general operations fund.

The Commission's Operating Fund is used to control the expenditures of Michigan Transportation Fund moneys distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

B. Government-Wide Statements and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Saginaw County Road Commission. There is only one fund reported in the government-wide financial statements.

This government-wide approach is focused more on the sustainability of the Commission as an entity and the change in the Commission's net assets from the current year's activities.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Government-Wide Statements and Fund Financial Statements (continued)

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

D. Assets, Liabilities, and Net Assets or Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Inventories

Inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as used.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements.

E. Capital Assets and Depreciation

Capital assets purchased or acquired are reported at historic cost. Contributed assets are reported at fair market value when received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are capitalized and depreciated according to State guidelines. Depreciation is computed on the sum-of-the-year's-digits methods for road equipment and straight-line method for all other capital assets over the following estimated useful lives:

	<u>Years</u>
Buildings	25 – 50
Road equipment	5 – 8
Other equipment	4 – 20
Infrastructure	5 – 50

GASB 34 requires the Commission to report and depreciate infrastructure assets in its government-wide statements. Infrastructure assets include roads, bridges, traffic signals, etc. Neither these assets nor related depreciation have historically been reported in the previously issued financial statements. The Commission has implemented the general provisions and the retroactive infrastructure reporting requirements in the year of GASB 34 adoption.

F. Budgets and Budgetary Accounting

The Road Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

- A budget is adopted by the Board of County Road Commissioners of Saginaw County prior to October 1 of each year. The budget includes proposed expenditures and a means of financing them.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

- The Saginaw County Road Commission approved budget is then submitted to the Saginaw County Board of Commissioners.
- The budget is prepared by the Road Commission on a basis consistent with U.S. generally accepted accounting principles and revised as deemed necessary during the year.
- Budgets are prepared using the modified accrual basis of accounting.
- The budgetary information presented has been amended throughout the year.
- The chief administrative officer is authorized to transfer up to 25% of a line item amount approved in the General Appropriations Act to another line item without prior approval, but subject to approval of the Board of County Road Commissioners at their next regular Board Meeting.

Law requires budget amendments as needed to prevent actual expenditures from exceeding those provided in the budget. Expenditures, which exceeded appropriations, are illustrated in required supplemental information.

G. Liabilities

Accounts Payable

Accounts payable consist of items from which the Commission benefited during the current fiscal year but have not yet paid.

Accrued Expenses

Accrued expenses consist mainly of employee salaries, wages, and related payroll taxes.

Deferred Revenue

Deferred revenue consists of prepaid permits.

Compensated Absences

Consists of amounts due to employees for sick and vacation time.

Due to State of Michigan

Consists of amounts due to the State for the Commission's portion of projects.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Deposits

Performance deposits are amounts paid by contractors and held by the Commission until the projects are completed and inspected.

NOTE 2—CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Road Commission to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

At year-end, the carrying amount of the commission's deposits was \$5,480,408. The bank balance and county balance was \$5,936,973. Of the bank balance, \$100,000 was covered by federal depository insurance and \$5,836,973 was uninsured and uncollateralized.

All special revenue fund investments are held in the name of the Saginaw County Treasurer; therefore, the insured amount of Road Commission investment is not determinable. Since the County has in excess of the \$100,000 limits, all Road Commission investments are presumed to be uninsured.

A summary of cash and investments follows:

The commission's deposits are categorized below according to level of credit risk:

- Category 1 represents the county road commission's insured or collateralized deposits with securities held by the commission or by its agent in the commission's name.
- Category 2 represents the county road commission's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the county road commission's name.
- Category 3 represents the county road commission's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the county road commission's name.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 2—CASH AND INVESTMENTS (continued)

	Category			Bank Balance	Carrying Amount
	1	2	3		
Demand deposits	\$ 382,300	\$ -	\$ 100,000	\$ 482,300	\$ 25,385
Investment held by County	-	-	5,454,673	5,454,673	5,454,673
Cash on hand	-	-	350	-	350
Totals	<u>\$ 382,300</u>	<u>\$ -</u>	<u>\$ 5,555,023</u>	<u>\$ 5,936,973</u>	<u>\$ 5,480,408</u>

It is the policy of the SCRC to have investments made by the County Treasurer based on his/her judgment.

NOTE 3--CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the year are as follows:

	Balance 10/1/2004	Additions	Retirements	Balance 9/30/2005
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 618,385	\$ -	\$ -	\$ 618,385
Land and improvements, infrastructure	28,203,424	1,634,602	-	29,838,026
Total Land and Improvements	<u>28,821,809</u>	<u>1,634,602</u>	<u>-</u>	<u>30,456,411</u>
Other Capital Assets				
Buildings and improvements	2,538,656	-	-	2,538,656
Road equipment	10,403,899	1,108,836	(310,051)	11,202,684
Other equipment	799,408	111,457	(25,513)	885,352
Infrastructure and improvements	178,757,547	9,360,610	-	188,118,157
Total Other Capital Assets	<u>192,499,510</u>	<u>10,580,903</u>	<u>(335,564)</u>	<u>202,744,849</u>
Total Capital Assets	<u>221,321,319</u>	<u>12,215,505</u>	<u>(335,564)</u>	<u>233,201,260</u>
Accumulated Depreciation				
Buildings and improvements	1,817,601	60,741	-	1,878,342
Road equipment	7,506,058	1,072,957	(305,194)	8,273,821
Other equipment	393,896	93,967	(21,121)	466,742
Infrastructure and improvements	77,849,961	7,076,418	-	84,926,379
Total Accumulated Depreciation	<u>87,567,516</u>	<u>8,304,083</u>	<u>(326,315)</u>	<u>95,545,284</u>
Total Net Capital Assets	<u>\$ 133,753,803</u>	<u>\$ 3,911,422</u>	<u>\$ (9,249)</u>	<u>\$ 137,655,976</u>

NOTE 4--LONG-TERM LIABILITIES

The Road Commission pays 65% of accrued unused sick leave at retirement. The amount due at September 30, 2005 is \$452,446. Additionally, up to twenty days vacation may be carried over to a succeeding year, subject to certain restrictions. Accumulated vacation payable at September 30, 2005 is \$228,304.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4--LONG-TERM LIABILITIES

Following is a summary of long term liabilities for the year ended September 30, 2005:

	Balance 10/1/2004	Increase	(reduction)	Balance 9/30/2005
Accrued compensated absences	\$ 666,231	\$ 443,646	\$ 429,127	\$ 680,750
Total	<u>\$ 666,231</u>	<u>\$ 443,646</u>	<u>\$ 429,127</u>	<u>\$ 680,750</u>

NOTE 5--UNEMPLOYMENT COMPENSATION

The Road Commission is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Road Commission must reimburse the Michigan Employment Security Commission for all benefits charged against the Road Commission. There was no unemployment expense in 2005.

NOTE 6--PENSION PLAN

Plan Description

The Road Commission's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 427 of the Public Acts of 1984, as amended by 1996 PA 220, establishes and amends the benefit provisions of the participants in MERS. The fiscal year for the retirement plan ends December 31. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy

The union members of the plan are required to contribute at an actuarially determined rate; the current rate is 4.7% for union employees and 2% for management of annual covered payroll. The contribution requirements of the Road Commission are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Road Commission depending on the MERS contribution program adopted by the Road Commission.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6--PENSION PLAN (continued)

Annual Pension Cost

For the year ended September 30, 2005, the Road Commission's annual pension cost and required contribution was \$165,245. The required contribution was determined as part of the December 31, 2003, actuarial valuation using the entry age actuarial cost method. The Road Commission chose to make voluntary contributions in the amount of \$76,000 for the fiscal year ended September 30, 2005. The actuarial assumptions included (a) an assumed rate of investment return which is used to discount liabilities and project what plan assets will earn, the net long-term investment yield is assumed to be 8%, (b) a mortality table projecting the number of employees who will die before retirement and the duration of benefit payments after retirement, (c) assumed retirement rates projected when employees will retire and commence receiving benefits, (d) a set of withdrawal and disability rates to estimate the number of employees who will leave the work force before retirement, (e) assumed rates of salary increases of 4.5% to project employees compensation in future years and (f) no specific price inflation assumption was needed for this valuation, the 4.5% wage inflation assumption would be consistent with a price inflation of 3% to 4%. The actuarial value of MERS assets was determined on a basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value.

Three-year Trend Information

Calendar Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Asset
9/30/2003	\$ 27,062	2.89%	\$ 51,410
9/30/2004	\$ 118,458	1.51%	\$ 60,000
9/30/2005	\$ 165,246	1.46%	\$ 76,000

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Over Funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
12/31/2002	\$ 21,397,622	\$ 19,339,097	\$ (2,058,525)	111%	\$ 3,537,272	0.0%
12/31/2003	\$ 21,886,543	\$ 19,770,390	\$ (2,116,153)	111%	\$ 3,433,645	0.0%
12/31/2004	\$ 22,394,199	\$ 21,078,435	\$ (1,315,764)	116%	\$ 3,814,645	0.0%

The Road Commission's actuarial accrued liability is over-funded as of December 31, 2004, the date of the last actuary report.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 7--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters.

During the fiscal year, the Road Commission participated in the Michigan County Road Commission Self Insurance Pool (MCRCSIP), a public entity risk pool currently operating as a common risk management program for road commissions in the State of Michigan. The Road Commission pays an annual premium to SIP for its general insurance coverage. The MCRCSIP is self-sustaining through member premiums.

During the fiscal year, the Road Commission also participated in the County Road Association Self Insurance Fund (CRASIF) for its workers' compensation benefits. The CRASIF is also a common risk management program for road commissions in the State of Michigan and is self-sustaining through premiums. In the event of unusually high claims, both the MCRCSIP and the CRASIF have the authority to bill the member road commissions retroactively.

The Road Commission continues to carry commercial insurance for other risks of loss, including employee health, Commission's bonds and accident insurance.

NOTE 8--LITIGATION

The Road Commission is a party to various legal proceedings, which normally occur in governmental operations for which the Road Commission carries commercial insurance.

NOTE 9--POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the Saginaw County Road Commission provides post-employment health, dental and life insurance benefits, in accordance with Saginaw County Road Commission's union contract Article 28, to all employees who retire from the Saginaw County Road Commission and qualify for benefits under MERS. Currently, 80 retirees' contracts meet those eligibility requirements. Coverage for non-union retirees is provided upon the discretion of management.

For those employees who terminate without retirement, healthcare benefits are terminated. At that time, the former employee has continuation rights to health insurance coverage under the COBRA law of 1985.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 9--POST-EMPLOYMENT BENEFITS (continued)

The Saginaw County Road Commission pays approximately 97% of the cost for Community Blue PPO 2 for retired union employees, dependents and surviving spouses eligible to participate in the group plan. They may elect to buy up to Community Blue PPO 1 at 100% of the cost difference between PPO 2 & 1. They may also elect to buy down to Community Blue PPO 3 and be paid 50% of the difference. All are still required to pay 25% of the increase in premium from one year to the next no matter which PPO plan they choose.

The Saginaw County Road Commission pays 100% of the cost for Community Blue PPO 1 for retired management employees, dependents and surviving spouses eligible to participate in the group plan.

The Saginaw County Road Commission pays 100% of the cost for dental coverage for management and union retirees, dependents and surviving spouses eligible to participate in the group plan. The Saginaw County Road Commission also pays 100% of the cost for life insurance coverage for the retiree only.

Expenditures for post-employment healthcare are recognized as claims or premiums as paid. During the year ended September 30, 2005, the cost of health, dental and life insurance benefits for retirees, dependents and surviving spouses was \$658,451.

NOTE 10--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended September 30, 2005, the Federal aid received and expended by the Road Commission was \$2,587,919 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the road commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended \$500,000 or more for negotiated projects.

REQUIRED SUPPLEMENTAL INFORMATION

SAGINAW COUNTY ROAD COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Original Budget	Final Budget	Actual	Actual Vs. Final Budget Favorable (Unfavorable)
Revenue				
Federal	\$ 3,535,189	\$ 2,673,975	\$ 2,587,919	\$ (86,056)
State	14,594,565	14,553,618	14,466,989	(86,629)
County				
City and Villages	1,000	36,000	39,270	3,270
Township	2,324,813	2,100,000	2,773,798	673,798
Other government	11,000	15,200	106,325	91,125
Interest	53,000	90,000	126,199	36,199
Charge for services	70,000	100,000	103,598	3,598
Miscellaneous	10,000	207,898	8,472	(199,426)
Gain on disposal	20,000	14,000	53,608	39,608
Private source contributions	-	846,000	1,424,978	578,978
Total Revenue	<u>20,619,567</u>	<u>20,636,691</u>	<u>21,691,156</u>	<u>1,054,465</u>
Expenditures				
Construction/capacity improvements	3,603,398	3,682,734	3,831,012	(148,278)
Preservation/structural improvements	9,990,155	8,587,646	7,164,201	1,423,445
Preventive/routine maintenance	6,483,789	7,677,886	8,084,110	(406,224)
Administration	931,000	925,000	965,186	(40,186)
Capital Outlay-net	232,900	157,000	(16,621)	173,621
Equipment-net	100,000	(320,000)	58,365	(378,365)
Drain assessment	270,000	232,828	232,828	-
Other	-	496,990	409,648	87,342
Total Expenditures	<u>21,611,242</u>	<u>21,440,084</u>	<u>20,728,729</u>	<u>711,355</u>
Excess of Revenues Over (Under) Expenditures	(991,675)	(803,393)	962,427	1,765,820
Fund Balance, Beginning of Year	7,862,532	7,862,532	7,862,532	-
Fund Balance, End of Year	<u>\$ 6,870,857</u>	<u>\$ 7,059,139</u>	<u>\$ 8,824,959</u>	<u>\$ 1,765,820</u>

ADDITIONAL SUPPLEMENTAL INFORMATION

SAGINAW COUNTY ROAD COMMISSION
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE—SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Appropriated		County	Total
	Primary Roads	Local Roads	Roads	
Revenues				
Federal				
Surface transportation				
program	\$ 2,039,293	\$ 146,779	\$ -	\$ 2,186,072
Bridge	30,289	366,792	-	397,081
Other Rail Trail	-	-	4,766	4,766
Total Federal	<u>2,069,582</u>	<u>513,571</u>	<u>4,766</u>	<u>2,587,919</u>
State				
Engineering	6,694	3,306	-	10,000
Urban road	1,149,802	580,578	-	1,730,380
Allocation	7,782,443	3,843,519	-	11,625,962
Critical bridge	5,679	68,774	-	74,453
State bonus funds	-	-	318,929	318,929
Economic development fund	707,265	-	-	707,265
Total State	<u>9,651,883</u>	<u>4,496,177</u>	<u>318,929</u>	<u>14,466,989</u>
County				
City and villages	-	31,953	7,317	39,270
Township	1,199	2,520,679	251,920	2,773,798
Other government	-	2,733	103,592	106,325
Total County	<u>1,199</u>	<u>2,555,365</u>	<u>362,829</u>	<u>2,919,393</u>
Other				
Interest and rents	68,200	41,282	16,717	126,199
Charges for services	10,360	67,339	25,899	103,598
Miscellaneous	-	-	8,472	8,472
Gain (loss) equipment disposals	10,185	12,866	30,557	53,608
Private source contributions	23,853	1,401,125	-	1,424,978
Total Other	<u>112,598</u>	<u>1,522,612</u>	<u>81,645</u>	<u>1,716,855</u>
Total Revenues	<u>\$11,835,262</u>	<u>\$ 9,087,725</u>	<u>\$ 768,169</u>	<u>\$ 21,691,156</u>

See independent auditor's report on supplementary information.

SAGINAW COUNTY ROAD COMMISSION
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE--SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Appropriated		County	Total
	Primary Roads	Local Roads	Roads	
Expenditures				
Construction/capacity improvements	\$ 2,046,964	\$ 1,784,048	\$ -	\$ 3,831,012
Preservation/structural improvements	3,426,402	3,737,799	-	7,164,201
Preventive/routine maintenance	3,257,504	4,826,606	-	8,084,110
Other				
Administration	441,678	523,508	-	965,186
Equipment	1,168,938	2,007,472	122,245	3,298,655
Less: equipment rental	(1,148,253)	(1,971,951)	(120,086)	(3,240,290)
Capital outlay	610,146	-	610,147	1,220,293
Less: depreciation credits and retirements	(237,881)	(294,640)	(704,393)	(1,236,914)
Drain assessment	58,207	174,621	-	232,828
Other Non-road	-	-	409,648	409,648
Total Other	892,835	439,010	317,561	1,649,406
Total Expenditures	9,623,705	10,787,463	317,561	20,728,729
Excess of revenue over (under) expenditures	2,211,557	(1,699,738)	450,608	962,427
Other financing sources (uses)				
Optional transfer	(2,000,000)	2,000,000	-	-
Fund Balance, Beginning	4,249,057	2,571,962	1,041,513	7,862,532
Fund Balance, Ending	<u>\$ 4,460,614</u>	<u>\$ 2,872,224</u>	<u>\$1,492,121</u>	<u>\$ 8,824,959</u>

SAGINAW COUNTY ROAD COMMISSION
SCHEDULE OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Federal Grantor/Pass Through <u>Grantor/Program or Cluster Title</u>	Federal CFDA Number	Pass-through Entity Number	Federal Expenditures
U. S. Department of Transportation Highway Research, Planning and Construction <u>Michigan Department of Transportation</u>	20.205		
		58269A	\$ 147,787
		78319A	1,393
		53531A	34,698
		56079A	768,000
		50191	890,509
		59816A	9,611
		59817A	20,678
		56634A	366,792
		73985A	2,476
		78285A	146,779
		80630A	194,431
		Non-Road	4,765
			<u>\$ 2,587,919</u>

Note: Federal financial assistance, received under the highway planning and construction program, in the amount of \$2,587,919 was administered by the State of Michigan. The Road Commission has no responsibilities regarding fiscal or compliance controls over such assistance.

See independent auditor's report on supplementary information.



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacomo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

January 27, 2006

Members of the Board
of County Road Commissioners
of Saginaw County
Saginaw, Michigan

We have audited the financial statements of the governmental activities of Saginaw County Road Commission, a component unit of Saginaw County, as of and for the year ended September 30, 2005, which comprise the Saginaw County Road Commission's basic financial statements, and have issued our report thereon dated January 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saginaw County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Members of the Board
of County Road Commissioners
of Saginaw County
Saginaw, Michigan
Page Two
January 27, 2006

Compliance

As part of obtaining reasonable assurance about whether Saginaw County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and the Board of County Road Commissioners. However, this report is a matter of public record and its distribution is not limited.

Gardner, Provengro, Schauman, & Thomas, P.C.

Certified Public Accountants